

REPORT

DATE ISSUED: July 28, 2009

REPORT NO: HCR 09-077

ATTENTION: Chair and Members of the Housing Commission
For the Agenda of August 21, 2009

SUBJECT: Award of Contract for Professional Auditing Services

REQUESTED ACTION:

That the Housing Commission award a contract to the Reznick Group to conduct financial and single audits, as well as other project audits, for the Fiscal Years 2010 and 2011 with three one-year options to renew.

STAFF RECOMMENDATION:

The Audit Committee recommends that the Housing Commission authorize the Executive Vice President & Chief Operating Officer or designee to execute a contract with the Reznick Group for the performance of Financial, Single and various project audits. The FY10 audit cost is proposed to be \$80,000. The current FY10 Budget includes \$91,000 for audit fees.

BACKGROUND:

In June 2005, following a formal request for proposal (RFP) process, the Housing Commission awarded a contract to the Reznick Group to conduct various audits for the Housing Commission through Fiscal Year 2009. The Reznick Group has issued unqualified opinions on the Housing Commission's financial statements in the Comprehensive Annual Financial Report for fiscal years 2005-2008.

Financial Audit

Financial audits of all Housing Commission funds are performed on an annual basis as required by the Housing Authorities Law (Section 34327.6 of the California Government Code) which states that "all funds of Housing Authorities not subject to audit by a federal agency shall be audited at least once every year at the expense of the Housing Authority by a certified public accountant."

Single Audit

Congress passed the Single Audit Act in October 1984, that required local governments receiving federal financial assistance of \$100,000 or greater to provide for a single audit of grant funds for fiscal years beginning after December 31, 1984. Amendments to the act in 1996 raised the assistance limit to \$500,000. The single audit is a more comprehensive audit than the financial audit and it includes internal control and compliance testing of certain programs as defined by the Office of Management and Budget.

Project Specific Audits

Certain funds of the Housing Commission are required to be audited at a more detailed level. The State of California requires a financial audit of the State-financed operating programs on a yearly basis. In addition, the Housing Commission's defined contribution pension plan must be audited on an annual basis.

FISCAL CONSIDERATIONS:

Funding for this contract is included in the FY10 Budget previously approved by the Housing Commission on May 15, 2009 and the Housing Authority on June 16, 2009.

DISCUSSION

A request for proposals was issued by the Housing Commission on April 24th, 2009 and was publicly noticed, as required. Seven firms submitted bids by the closing date May 4th, 2009. A four-member panel was set up to evaluate the seven proposals. The panel included the Chief Financial Officer and three Accounting Supervisors of the Housing Commission.

The proposal evaluation process included scoring based on four criteria: Quality and Completeness, Qualifications and Experience of Audit Team, Experience with Housing Authorities, and Price. Proposals were received from Reznick Group, Mayer Hoffman & McCann, Berman Wright & Hopkins LaHam, Macias Gini & O’Connell, Novogradac & Company, Wallace Rowe & Associates and Sotomayor CPA. The scoring of each firm’s proposal is shown below.

Scoring	Reznick Group	Mayer, Hoffman & McCann	Berman Wright & Hopkins LaHam	Macias Gini & O’Connell	Novogradac & Company	Wallace Rowe & Associates	SotoMayor CPA
Total Pts	470	454	420	376	380	353	286
Average	94	91	84	75	76	71	57

The top two scoring firms were Mayer Hoffman McCann and The Reznick Group, with five year cost of \$375,815 and \$433,306, respectively.

On July 24th, 2009 the Audit Committee interviewed the top two firms and after much discussion with the partners of the two firms, the Audit Committee recommended awarding the professional auditing services contract to the Reznick Group.

Respectfully submitted,



John Pfeiffer
Vice President &
Chief Financial Officer

Approved by,



Carrol M. Vaughan
Executive Vice President &
Chief Operating Officer

Hard copies are available for review during business hours at the Housing Commission offices at 1122 Broadway, San Diego, CA 92101, Main Lobby and at the Office of the City Clerk, 202 C Street, San Diego, CA 92101. You may review complete docket materials on the San Diego Housing Commission website at www.sdhc.org.